

Message Text

CONFIDENTIAL

PAGE 01 LONDON 20058 01 OF 02 102103Z

71

ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 PA-01 PRS-01 IO-13 IGA-02 L-03 OIC-02
OES-06 INT-05 FEA-01 ERDA-05 /126 W
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R 102052Z DEC 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 8657

INFO USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY BONN

AMEMBASSY TOKYO

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 20058

E.O. 11652: XGDS-1

TAGS: EGEN, ETRD, UK, EEC

SUBJECT: FCO OFFICIAL ON CIEC AND THE NORTH/SOUTH
DIALOGUE

REF: BONN 20747

1. WE HAD A LONG TALK TODAY WITH DEREK THOMAS, WHO HAS
REPLACED JOHN MASON AS THE FOREIGN OFFICE OFFICIAL
MAINLY RESPONSIBLE FOR CIEC AND NORTH/SOUTH MATTERS
GENERALLY. THOMAS TALKED WITHOUT CLEARLY DISTINGUISH-
ING BETWEEN HIS OWN VIEWS AND THOSE OF HIS GOVERNMENT
BUT WE WOULD GUESS THAT HE REPRESENTS AT LEAST THE
FOREIGN OFFICE POSITION ON THE MATTERS HE DISCUSSED.

2. THOMAS, WHILE HAPPY THAT THE DECEMBER CIEC MINISTER-
IAL HAS NOW BEEN CALLED OFF, IS WORRIED ABOUT THE
FUTURE - INCLUDING THE TIMING OF THE NEXT CIEC MEETINGS.
HE SAID THAT TALK IN PARIS SUGGESTS A MEETING OF THE
FOUR CIEC COMMISSIONS LATE IN FEBRUARY FOLLOWED BY A
MINISTERIAL ABOUT A MONTH LATER. IN HIS VIEW, IF THE
SHIFT IN US ADMINISTRATION IS INDEED A FACTOR TO BE
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PAGE 02 LONDON 20058 01 OF 02 102103Z

TAKEN SERIOUSLY, A MEETING AS SOON AS LATE FEBRUARY IS

TOO EARLY.

3. WHAT HE THINKS IS NEEDED BEFORE ANY FURTHER IMPORTANT NORTH/SOUTH MEETINGS IS A MEETING INVOLVING THE EC, THE US, AND PROBABLY JAPAN. THIS WOULD INVOLVE A UK OFFICIAL, ACTING AS COMMUNITY REPRESENTATIVE DURING THE BRITISH PRESIDENCY, PLUS A COMMISSION OFFICIAL, GOING TO WASHINGTON SOMETIME WELL AFTER THE BEGINNING OF THE CARTER ADMINISTRATION. THOMAS SUGGESTED THAT MICHAEL BUTLER, DEPUTY UNDER SECRETARY IN THE FOREIGN OFFICE, AND THE FOREIGN OFFICE'S SENIOR ECONOMIC OFFICIAL, SHOULD BE THE PRESIDENCY REPRESENTATIVE; THE COMMISSION WOULD HAVE TO BE REPRESENTED BUT HE WORRIED ABOUT LEAKS FROM A COMMISSION OFFICIAL, FOR IN HIS MIND SUCH A MEETING TO BE USEFUL WOULD HAVE TO BE RESTRICTED AND CONFIDENTIAL.

4. THOMAS DID NOT PRECLUDE SUCH A MEETING TAKING PLACE BEFORE THE COMMUNITY ARRIVED AT A COMMON POSITION. HOWEVER, HE FELT THAT FURTHER STEPS TOWARDS MEETING LDC DEMANDS ARE NECESSARY IF THE CIEC IS TO END WITHOUT AN EXPLOSION. THE TWO CONCESSIONS HE FORESEES AS PROBABLE ON THE PART OF THE COMMUNITY ARE:

(A) THE COMMUNITY WOULD STATE THAT IT WOULD PARTICIPATE AS A COMMUNITY IN THE UNCTAD CONFERENCE ON THE COMMON FUND NEXT SPRING. THIS THOMAS REGARDED AS LARGELY A PAPER CONCESSION, BUT HE ACKNOWLEDGED THAT SO FAR THE GERMANS ARE UNWILLING TO MAKE IT.

(B) SOME FURTHER CONCESSIONS WOULD HAVE TO BE MADE ON THE DEBT ISSUE. THERE WERE TWO ASPECTS TO THIS. ON PROCEDURES HE FELT THAT THE JOINT US/EC POSITION WAS ADEQUATE. ON SUBSTANCE MORE WOULD HAVE TO BE DONE BUT THERE WAS A DIVERGENCE OF VIEWS. NEITHER GERMANY NOR FRANCE WOULD AGREE TO DEBT FORGIVENESS. HE DID NOT THINK THE UK WOULD EITHER. ONE DEPARTMENT, THE MINISTRY OF OVERSEAS DEVELOPMENT, WOULD ACCEPT DEBT FORGIVENESS AS A FINAL FALLBACK POSITION; HOWEVER, NO OTHER BRITISH GOVERNMENT DEPARTMENT, NOT EVEN THE

CONFIDENTIAL

PAGE 03 LONDON 20058 01 OF 02 102103Z

FOREIGN OFFICE, WOULD.

5. WHAT THOMAS FELT WAS A POSSIBLE COMMON POSITION AMONG THE NINE IS AN AGREEMENT TO INCREASE OFFICIAL DEVELOPMENT ASSISTANCE AND THEREFORE, DEFACTO, PROVIDE DEBT RELIEF, WITHOUT OVERTLY TYING THE INCREASE TO THE PURPOSE OF DEBT RELIEF. THE FRENCH, HE SAID, ARE WILLING TO CONTEMPLATE AN INCREASE IN ODA TO THE LEAST

DEVELOPED AND MOST SERIOUSLY AFFECTED COUNTRIES BUT THEY
ARE INSISTENT THAT THE SUMS SUPPLIED BEAR NO RELATION-
SHIP WHATEVER TO THE SIZE OF THE DEBT
PROBLEM OF THE COUNTRIES CONCERNED. GERMANY GIVES OUT
MIXED SIGNALS. THE GERMAN MINISTERS HAVE DIFFERENT

CONFIDENTIAL

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PAGE 01 LONDON 20058 02 OF 02 102059Z

71

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 20058

VIEWS (SEE REFTTEL). HOWEVER, THOMAS SAID HE DID NOT
FEEL THAT SCHMIDT WAS IN THE LONG RUN AN IMMOVABLE
OBSTACLE TO AN INCREASE IN ODA INTENDED TO RELIEVE DEBT
PROBLEMS. SOME GERMAN OFFICIALS HAD TOLD HIM SCHMIDT'S
POSITION IS IN LARGE PART A TACTICAL ONE PROMPTED BY A
NUMBER OF FACTORS, INCLUDING UNWILLINGNESS TO SEEM TO
BE REWARDING LDCS AT THE SAME TIME AS THE CONSUMERS
SUFFER AN OPEC OIL INCREASE. SCHMIDT HAD, HE SAID,
SEEMED TO BE WILLING TO TAKE A MORE POSITIVE POSITION
BEFORE THE OPEC CRISIS LOOMED, AND THOMAS FELT THAT
SCHMIDT MIGHT REVERT TO SUCH A POSITION. FINALLY THOMAS
FELT THAT THE UK COULD ACCEPT AN INCREASE IN ODA FOR
DEBT RELIEF PURPOSES BUT, SINCE THE LION'S SHARE OF

A COMMUNITY CONTRIBUTION WOULD COME NOT FROM THE UK BUT FROM GERMANY, FELT DIFFIDENT ABOUT PUSHING THE IDEA TOO HARD.

6. THOMAS, TO SUM UP, FELT THAT THE DEBT ISSUE IS CENTRAL TO THE SMOOTH CONCLUSION OF THE CIEC. EXPLORATION BY THE COMMUNITY OF THE FINAL LIMITS OF THE NEW CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 20058 02 OF 02 102059Z

ADMINISTRATION'S FLEXIBILITY ON THIS ISSUE WOULD, THEREFORE, BE A PRIME PURPOSE OF THE EC/US/JAPAN MEETING WHICH HE THOUGHT WOULD BE DESIRABLE.

ARMSTRONG

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